



How different is professional service operations management?

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ABSTRACT

This paper presents detailed analysis of the operational and operations management characteristics of a professional service firm, a legal partnership. An in-depth study of customer interactions, service customization, process throughput and variability, professional employee behavior and managerial interventions provided the basis for confirmatory and exploratory research. The results suggested a number of refinements to existing conceptualizations of the professional service type operation and indicated areas where professional service operations management should be viewed as highly distinctive. First, professional–client exchange is variably asymmetrical – with significant implications for service package and process design. Second, professional service operations comprise a substantial number of less variable and faster throughput processes – creating a significant opportunity for commoditization. Third, professional status and corresponding organisational structures (e.g. the partnership model) need to be explicitly recognised in any typology – these factors introduce distinctive trade-offs when seeking greater efficiency and effectiveness.

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1. Introduction

In 2010 one of the largest law firms in the UK published research highlighting that legal service providers were increasingly facing a buyer's market, with downward pressure on fees and corresponding need for increased efficiencies. A few months earlier, in late 2009, a LexisNexis study of the US legal market had revealed significant client dissatisfaction with how law firms had responded in terms of their costs and billing structures to the economic downturn. Yet, although becoming more efficient is increasingly seen as the strategic challenge in legal – and other knowledge-intensive (Drucker, 1999) – services, there has been relatively little OM research in this sector (Machuca et al., 2007). This article explores the characteristics of a specific professional service operation (PSO) in order to better understand any distinctive challenges associated with professional service operations management (PSOM). Previous OM research has defined the PSO as a generic service type with high levels of customer contact/service customization and fluid/flexible processes with low capital/high labor intensity (Wemmerlov, 1990; Silvestro et al., 1992; Schmenner, 1986, 2004). Similarly, as professional services are generally understood to be different so PSOM is understood to require a different approach.

Typical discussions emphasize the “guiding, nudging, and persuading” (Malhotra et al., 2006, p. 175) of professional employees rather than, for example, the implementation of standard operating procedures (Kellogg and Nie, 1995, p. 329). This article is organized around two guiding research questions: (1) Do the characteristics of a specific professional service operation (a law partnership) reflect the generic characterizations of the PSO type? (2) How, if at all, do these observed characteristics shape the distinctive nature of PSOM?

The setting for this confirmatory, albeit without formal hypotheses to be tested (Smith et al., 2009), and exploratory research seeking to develop novel insight, understanding and theory enhancement (Karwan and Markland, 2006), was the UK legal services sector. Lawyers are a classic professional type; drawing on a common body of regulated knowledge and standards (in this case by the UK Law Society). Moreover, as highlighted above, legal services in the UK (and most advanced economies) face a series of regulatory and competitive challenges that have led many to reconsider the nature of their operations management (e.g. Suskind, 2010). The Legal Partnership (LP) case study, a mid-sized firm with 342 employees, 42 partners and 17 distinct and largely autonomous service practices, provided the specific empirical grounding for the work. Although in many ways a typical law firm, the particular characteristics of the LP ‘story’ offered a revelatory case study (Yin, 2008) of the (changing) composition of a PSO and the tensions inherent in the process of becoming more efficient and effective (i.e. PSOM). Detailed analysis of the operational ‘building blocks’ of the PSO (its customer interaction/customization, processes and

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employee behavior) and managerial attempts to influence these elements provided a persuasive example (Siggelkow, 2007) for answering the research questions.

The results suggest that (in legal services) the extent of client interaction and service package customization is highly variable – with numerous examples of professionals deliberately distancing themselves from their clients. Similarly, the majority of LP processes were not necessarily slow and highly variable (and where these characteristics did appear to hold, individual professional inputs played at least as significant a role as customer inputs). The study also highlighted distinctive aspects of PSOM by suggesting a more contingent perspective on professional–client exchange and articulating specific OM trade-off's associated with professionals and partnership structures.

2. Conceptual framework

A review of the literature was used to create an initial conceptualization of the PSO and PSOM. This structure allowed for a set of specific interview questions to be formulated and provided a structure for analysis and discussion of the findings.

2.1. Defining the professional service operation (PSO)

The PSO is well represented in a range of generic SOM classifications (Wemmerlov, 1990; Silvestro et al., 1992; Schmenner, 1986, 2004) with the interaction between two defining characteristics to the fore: (1) high levels of customer contact/service customization and; (2) fluid/flexible processes with low capital and high labor intensity. Inevitably, approaches, which illustrate commonality across all services, have limitations when it comes to specific types. For instance, they minimize the distinctive nature of 'professional' employees (Goodale et al., 2008, p. 669) and the organisational structures that are commonly adopted to co-ordinate their activities. Drawing on the professional service firm (PSF) literature, in particular Von Nordenflycht's (2010) recent review of the field, these factors were included as the third element of the initial conceptualization.

2.1.1. Customers and customization

Customers play a critical definitional role in most discussions of service operations. Sampson and Froehle (2006, p. 331) for example argue that the "presence of customer inputs is a *necessary* and *sufficient* condition to define a production process as a service process". Similarly, Nie and Kellogg (1999, p. 349) found that customer influence is "the most important characteristic in affecting OM strategies and decisions". The exact degree and nature of the customer input has been the subject of debate and classification. Wemmerlov (1990) for instance, categorized both the interactive medium (i.e., physical presence, indirect technology-mediated communication, or no interactions) and its object (e.g. information, goods, physical self: Lovelock, 1992, 1996). Others, noting that it is not the physical presence or otherwise of the client that influences variability (Froehle and Roth, 2004), have emphasized the relative 'activity' of the interaction (e.g. Mersha, 1990).

The combined logic, that control with high levels of customer input variability is more challenging (Schmenner, 1986) and reduces the opportunity to deploy standardization and automation, explains how and why high customer contact (front-office) and low contact (back-office) services are routinely 'de-coupled' (Metters and Vargas, 2000).

With specific reference to the PSO, it is widely accepted that this type of operation has the 'most' customer interaction and/or customization (e.g. Silvestro et al., 1992; Schmenner, 2004). Kellogg and Nie's (1995, p. 326) expert service type for example is one where "the service provider and customer work together to define,

produce and deliver" the service package (i.e. supporting facility, facilitating goods, explicit and implicit services: Fitzsimmons and Fitzsimmons, 2006).

2.1.2. Processes

Regardless of whether it is cause and/or consequence of high levels of customer input variation, PSO processes are generally understood to be more labor intensive and largely independent of significant amounts of capital – be it inventory, equipment and/or infrastructure.² Of course, labor intensity in a PSO is not simply a matter of the relative number of employees. Deploying a medical metaphor, Abbott (1988, pp. 40–49) explained professional service interactions as a process of diagnosis, inference and treatment. Diagnosis takes information in, treatment brings instructions back out but critically, inference is the reflective process that professional staff engage in "when the connection between diagnosis and treatment is obscure" (p. 49). In sum, the interaction between high levels of customer interaction/customization and situations where individual (and/or team) judgement have a central role in service delivery contribute to a high degree of service process "variation" and a relatively slow "throughput time" (Schmenner, 2004).

2.1.3. Professionals and professional organizations

All expert or knowledge intensive workers 'locate' their judgements within a particular knowledge system; what makes professional employees different is that this body of knowledge is externally (but non-governmentally) regulated and controlled in its content and application (von Nordenflycht, 2010). These 'knowledge monopolies' (i.e. you cannot practice as a lawyer in country A unless you gain entry – passing exams, apprenticeship, etc. – to country A's legal system) exclude nonprofessionals and are central in the maintenance of high labor costs. Professionals also adhere to explicit external codes of ethics and implicit norms that guide appropriate 'professional' behavior. These external 'controls' can act to minimize the influence of managers in a PSO (Harvey, 1990) but also reduce the need for, and associated costs of, internal service quality monitoring (Goodale et al., 2008, p. 670).

It is also important to note that although the high labor costs are clearly problematic – especially from an OM perspective (Verma, 2000, p. 14) – the relatively low capital intensity of most PSOs, and correspondingly limited role for external investors, does allow for the adoption of alternative organisational structures. The partnership structure in particular (i.e. where the firm is owned by a number of senior employees) helps resolve many of the traditional 'managing professional' problems but represents a very different context for deploying OM tools and techniques. One significant implication for instance is that the PSO typically focuses less on process standardization and automation and more on a form of leveraged work management where greater use is made of lower cost (e.g. junior lawyers) and/or differently (less) qualified (e.g. paralegal) employees (Maister, 1982; Haywood-Farmer and Nollet, 1985).

2.2. Defining professional service operations management

Where the characteristics described above hold, they suggest that the PSO represents a "distinct environment for managing operations" (Goodale et al., 2008, p. 670). Indeed each of the defining characteristics suggests specific challenges for the nature of PSOM.

² n.b. there are operations like hospitals "where a large fraction of the workforce has advanced degrees but where nonhuman capital, such as medical equipment and a large, specialized building, is also critical" (von Nordenflycht, 2010).

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